

OIL AND GAS LEASE PAID UP

Lease No. _____

THIS AGREEMENT, made and entered into this the ____ day of _____, 200__ (the Effective Date), is by and between _____ with a mailing address of _____, hereinafter referred to as "Lessor" (whether one or more), **Raegayle, LLC**, a Pennsylvania limited liability company, with an address of 61 McMurray Rd., Pittsburgh, PA 15241, hereinafter referred to as "Raegayle", and _____, a _____ corporation, with an address of _____, hereinafter referred to "Lessee".

WITNESSETH: that said Lessor, in consideration of the sum of ONE DOLLAR (\$1.00), other good and valuable benefits, and the covenants hereinafter contained on the part of the Lessee, all of which are hereby expressly acknowledged in their receipt and sufficiency, does hereby grant, demise, lease and let, exclusively unto Lessee and its successors and assigns and hereafter during the term hereof to no other party(ies), for the purposes and with the rights of drilling, testing, producing, injecting and/or storage of oil and/or gas and any of their constituent parts or related elements whether liquid or gaseous (expressly including coalbed methane and gob gas) in any underlying strata, and withdrawing same therefrom whether or not originally produced from or injected into any strata underlying the leased premises described below or other lands, and otherwise exploring and operating for oil and gas by any and all means now known or utilized in the future (expressly including the right to conduct seismic and other geophysical and geochemical surveys), and of laying pipelines and building tanks, roads, stations, houses, powerlines and the like for valves, meters, compressors, dehydrators, regulators, and other facilities, with all other rights and privileges incident to or convenient for the operation of the lease premises and /or any other lands (expressly including the right to transport gas produced off of the leased premises and/or lands pooled or unitized therewith, which rights-of-way hereof are specifically granted hereunder exclusively to the Lessee and its successors and assigns), all of that certain tract(s) of land situate in the Township of _____, County of _____, State of Pennsylvania and bounded substantially as follows:

On the North by lands of _____

On the East by lands of _____

On the South by lands of _____

On the West by lands of _____

Tax Map No(s). _____

and containing, for the purpose of calculating rentals _____ acres of land whether actually containing more or less, and part of all of said lands is described in that certain deed to Lessor from _____ dated _____ recorded in Volume/Liber _____, Page _____, in the Recorder's Office of said County (referred to herein as the "leased premises").

1. It is agreed that this lease shall remain in force for a primary term of _____ years from the Effective Date hereof and as long thereafter as the said land is operated by Lessee in the production of oil or gas. It is expressly understood that Lessee shall maintain its rights of way as granted herein for its pipeline and other surface facilities then existing on the leased premises at the expiration or termination of this lease.

2. (a) For all native oil produced and saved from the leased premises Lessee covenants and agrees to deliver to the credit of Lessor and Raegayle, their respective heirs or assigns, free of costs, in the pipeline to which Lessee may connect its wells, the following fractional interest:

To Lessor: _____ of eight-eighths (____ of 8/8^{ths})

To Raegayle: _____ of eight-eighths (____ of 8/8^{ths})

(b) For all gas (natural and methane) produced, saved and marketed from the leased premises Lessee covenants and agrees to pay Lessor and Raegayle, their respective heirs or assigns, as a royalty from each and every well drilled on the leased premises that produces gas, a royalty to each equal to the fractional interest set forth below, such royalties to be based on the gross proceeds received from the sale of such gas at the prevailing price for gas sold at the well.

To Lessor: _____ of eight-eighths (____ of 8/8^{ths})

To Raegayle: _____ of eight-eighths (____ of 8/8^{ths})

3. As consideration of all rentals due hereunder during the primary term hereof, on or before the Effective Date hereof Lessee agrees to pay to both the Lessor and Raegayle the following sums:

To Lessor: _____ Dollars (\$ _____) per acre for each net acre of the leased premises.

To Raegayle: _____ Dollars (\$ _____) per acre for each net acre of the leased premises.

All amounts so paid shall be considered as a paid-up, non-refundable rental for the entire primary term of the lease, regardless if the Lessee drills a well(s) on the leased premises or on lands pooled therewith.

4. All payments under this lease shall be made by check or voucher to the order of Lessor or Raegayle, as the case may be, and mailed to the above addresses unless and until the Lessee shall have written notice from the Lessor or Raegayle, or their respective heirs or assigns, accompanied by original or certified copies of deeds or other documents as Lessee may require evidencing such change of ownership directing payments to be made otherwise, and any payments made until such direction and thereafter in accordance with such direction shall absolve the Lessee from any liability to any heir or assign of the Lessor or Raegayle, as the case may be. All payments of paid-up rentals and/or royalties are to be made according to Lessor's and/or Raegayle's respective interests therein, in accordance herewith.

5. Lessor covenants and agrees, that if Lessor's title to the leased premises shall come into dispute or litigation, or, if, in the judgment of Lessee, there are bona fide adverse claims to the royalties hereinabove provided for, then Lessee, at its option, may withhold the payment of said royalties until final adjudication or other settlement of such dispute, litigation, claim or claims; and that Lessee, at its option, may pay and discharge any taxes, mortgages or other lien or liens, existing, levied, assessed or which may hereafter come into existence or be levied or assessed on or against the leased premises, and, in the event it exercises such option, Lessee shall be subrogated to the lien and any and all rights of any holder or holders thereof, and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien or liens, any royalty accruing hereunder. Lessor pledges and covenants to execute any and all curative instruments reasonably required by Lessee in furtherance of Lessor's warranties. It is agreed that if Lessor owns an interest in the land herein described less than the entire fee simple estate, then the paid-up rentals and royalties to be paid Lessor and Raegayle shall be reduced proportionately.

6. If and when drilling, other operations and/or payments due hereunder are delayed or interrupted by lack of labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some permit, order, rule, regulation, requisition or necessity of the government, or as the result of any other cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of any such Law, Order, Rule or Regulation.

7. Lessee shall have the right at any time during the term of this lease or after the expiration or termination thereof to remove all machinery, fixtures, pipelines, houses, buildings, facilities and other structures placed on the leased premises, including the right to pull and remove all casing and tubing.

8. If the Lessee shall begin operations for the commencement of a well during the term of this lease or any extension thereof, the Lessee shall then have the right to complete the drilling of such wells, and if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force and with like effect as if such well had been completed within the term first herein mentioned.

9. Lessee may, at any time during the term hereof, cancel and surrender this lease, in whole or in part, and be relieved of any and all obligations, future payments and liabilities thereafter to accrue as to the surrendered premises, by the mailing of a notice of such surrender to Lessor and Raegayle and by filing a Release or Surrender of Oil and Gas Lease of record describing the portion of the leased premises being released or surrendered, provided that Lessee shall maintain surface rights-of-way for its existing surface facilities over the surrendered lands.

10. It is agreed that said Lessee may drill or not drill on said land as it may elect, and the consideration and rentals paid and to be paid hereunder constitute adequate compensation for such privilege.

11. It is agreed that said Lessee shall have the privilege of using free of charge sufficient water, oil and gas from the leased premises to run all machinery necessary for drilling and operations thereon, and at any time to remove all machinery and fixtures placed on said leased premises.

12. The leased premises may be fully and freely used by Lessor for any purpose, excepting such parts as are used by Lessee in its operations hereunder.

13. Lessee shall pay Lessor for all damages to growing crops, fences or trees caused by Lessee's operations.

14. This instrument may be executed in counterparts each having the same validity as if the original. Should any one or more of the parties named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor.

15. Lessor grants to the Lessee, its heirs and assigns, the sole and exclusive right and option to consolidate or unitize all or portion of the leased premises with other lands or leases to form a unit of such a size and configuration as is permitted and/or mandated by laws, rules and/or regulations of the State of Pennsylvania. Any such consolidation or unit shall have the same effect as if the leased premises, together with others in the area, had been jointly leased by various Lessors to the Lessee as a single undivided tract, and in such event, the Lessor and Raegayle each agree to accept, in lieu of their respective royalties hereinbefore recited, such proportionate share of such royalties for the oil and/or gas marketed from the unitized area based on how many acres of this lease included in the unit bears to the total acres of the entire

unitized area. Lessee must give notice to Lessor and Raegayle of such consolidation by mail to their respective addresses above and by filing a declaration of record describing the properties so consolidated or unitized.

16. **PAID UP LEASE.** This is a paid up lease. All of the rentals specified in Paragraph 3 of this lease have been paid in advance, receipt of which is hereby acknowledged. Lessee shall not be obligated to pay any further rentals during the primary term of this lease.

17. **EXTENSION OF PRIMARY TERM.** The Lessee shall be afforded two (2) exclusive methods of extending the five (5) year primary term of the lease. The first method shall be based on the fact that no drilling or development has taken place during the five (5) year primary term and shall involve the payment of additional rentals for the extension period. The second method shall be based on the fact that drilling or development for a Marcellus well has taken place on the leased premises during the five (5) year primary term. The extension shall then be based on the point in time that drilling of the first Marcellus well actually occurs.

Method 1 If this lease is not otherwise extended or maintained in force and effect beyond the initial five (5) year primary term hereof, the Lessee shall have the sole and exclusive option to extend the primary term of the lease as to all or any portion of the leased premises for two (2) consecutive one (1) year extensions. In order for any such extension to be effective, the Lessee must notify the Lessor, in writing, of its election to so extend the primary term of the lease, as well as what portion of the leased premises (area and number of acres) are to be included in the extension. Any such notification must be accompanied with a check in an amount equal to One Thousand Dollars (\$1000) times the number of acres of the leased premises the Lessee wishes to extend. Any operation by Lessee during any extension hereof shall have the same effect on the term of this lease as if made during the initial primary term.

Method 2 If, during the initial five (5) year primary term, the Lessee drills at least one (1) well on the leased premises or on lands pooled therewith, the target formation of which is the Marcellus Shale, the primary term of the lease would automatically extend beyond the five (5) year primary term for a period equal to the number of months that remained of the initial five (5) years from the date that the first Marcellus Shale well was drilled on the leased premises. For example, if such first Marcellus well is drilled in the 35th month of the five (5) year primary term (5 years also being 60 months), then such five (5) year primary term would automatically be extended by 25 months ($60 - 35 = 25$).

18. **ADDENDUM.** Attached hereto and incorporated herein by reference is an Addendum of Oil and Gas Lease, the terms of which shall take precedence to any of the terms and conditions set forth in the printed form of this lease.

All the terms, conditions, and covenants herein contained shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, successors, personal representatives and assigns, but no representations other than those herein contained shall be binding on any party hereto.

IN WITNESS WHEREOF, the Lessor, Raegayle and Lessee have hereunto set their hands the day and year first above written.

WITNESS:

LESSOR

WITNESS:

RAEGAYLE

By: _____
Christopher M. Robinson
Its: President

WITNESS:

LESSEE

By: _____
Its:

--- ACKNOWLEDGEMENTS ---

LESSOR

State of Pennsylvania)
) ss:
County of _____)

On this _____ day of _____ 2008, before me, the undersigned officer, personally appeared _____

_____ known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged that he/she/they executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public (SEAL)

My commission expires:

RAEGAYLE

State of Pennsylvania)
) ss:
County of _____)

On this the ____ day of _____ 2008, before me, the undersigned officer, personally appeared Christopher M. Robinson who acknowledged himself to be the President of Raegayle, LLC and that as such officer, being authorized to do so, executed the following instrument for the purposes therein contained by signing his name hereto.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public (SEAL)

My commission expires:

LESSEE

State of _____)
) ss:
County of _____)

On this the ____ day of _____ 2008, before me, the undersigned officer, personally appeared _____ who acknowledged himself to be the _____ of _____ and that as such officer, being authorized to do so, executed the following instrument for the purposes therein contained by signing his name hereto.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public (SEAL)

My commission expires:

THIS DOCUMENT PREPARED BY:

Addendum to Oil and Gas Lease

This Addendum to Oil and Gas Lease (the "Addendum") is attached to and made part of that certain Oil and Gas Lease dated _____, 2008, by and between

_____ as Lessor, to _____, Lessee (the "Lease"). In the event of a conflict or inconsistency between the terms of the Lease and those added terms of this Addendum, the terms of this Addendum shall control and be deemed to supersede the corresponding terms of the Lease.

Governing Law

1. Lessee shall comply with all federal and state laws and all executive orders, rules or regulations of the state and federal authorities which relate to Lessee's operations on the leased premises. This Lease shall be construed under and governed by the laws of the State of Pennsylvania. Lessee's operations on the leased premises shall be in accordance with regulations set forth by the Pennsylvania Department of Environmental Protection and all other applicable regulations.

Title

2. It is understood that Lessor warrants title to the leased premises only in respects that the title is good to the best of Lessor's knowledge, and Lessee agrees that no claim will be made against Lessor pertaining to warranty of title.

Indemnity

3. Lessee agrees to defend, indemnify and save Lessor harmless from and against:

- a) all claims, demands, damages, costs, expenses, actions and causes of action for injuries, including death, to any and all persons and for damages to the property or livestock of any and all persons caused by or resulting from any act or omission of Lessee, its agents, employees or independent contractors, arising out of or resulting from any rights granted or operations conducted pursuant to this Lease;
 - b) all obligations, requirements, [including plugging and reclamation] and all fines, levies, penalties or assessment imposed by any local, state or federal commissions, agencies or governmental units arising out of the violation of any local, state or federal law or regulation in regard to the operations permitted hereunder by Lessee, its agents, employees or contractors;
 - c) any claims, actions or demands, if any, of persons or entities claiming ownership to the oil and gas estate adverse to Lessor; provided, however, that any and all costs, fees and expenditures incurred directly or indirectly by Lessee shall be deemed to be an offset to and credit against any and all royalties and rents otherwise due and owing to Lessor.
- 3.1 The provisions of this paragraph shall survive the surrender or termination of this Lease; with the understanding, however, that Lessee's indemnification set forth hereunder shall not be applicable for acts of gross negligence or willful misconduct on the part of Lessor, its agents, advisors and/or personal representatives.

Insurance

4. During the term of this Lease, Lessee shall carry and maintain the following insurance in an amount not less than specified:

4.1 Worker's Compensation and Employer's Liability - Lessee shall maintain Worker's Compensation insurance as shall be required by Pennsylvania State law and any other similar state or federal law applicable to such employees, including employer's liability insurance for accident and occupational disease, in an amount not less than \$1,000,000.00 per each accident.

4.2 Comprehensive General Liability and Property Damage including Contractual Liability and Automobile General Liability - Lessee shall procure and maintain Comprehensive General Liability and Property Damage inclusive of Automobile General Liability, Contractual Liability totaling the following amounts:

- | | |
|---------------------|-----------------------------|
| (A) Bodily Injury | \$2,000,000 each occurrence |
| (B) Property Damage | \$2,000,000 each occurrence |

4.3 Insurance Certificates - Lessee shall furnish to Lessor prior to commencement of Lessee's operations hereunder certificates of insurance with respect to the coverages, which are

specified in subparagraphs 4.2(A) and 4.2(B) and any other insurance coverage which is or will be required by Pennsylvania or federal law in connection with Lessee's operations conducted hereunder. Such certificates of insurance shall name Lessor as an additional named insured and provide that the coverage shall not be decreased, modified or canceled unless thirty (30) days written notice prior to such decrease, modification or cancellation shall be given by insurance company to Lessor. Upon written request from Lessor, Lessee shall provide Lessor with copies of the policies referenced in the certificates required herein.

Surface Use

5. Location of any well(s), access roads(s), pipeline(s), compression station(s) and/or other facilities planned by the Lessee for the leased premises shall be approved by Lessor or one of Lessor's authorized representatives in writing prior to location thereof. Such approval shall not be unreasonably withheld or delayed. Upon receipt of Lessee's written location approval form, Lessor shall have fourteen days from the date of receipt to approve and return said form or to advise Lessee in writing of Lessor's disapproval of a specific location(s) associated with said form and provide Lessee with an alternate location(s) that must be economically feasible and at a legal location pursuant to the rules and regulations of the Commonwealth. Lessor's failure to notify and return Lessee's written location approval form or to provide Lessee with such alternate location(s) within fourteen days shall constitute Lessor's approval of the location(s) associated with said form. When laying pipelines, access roads, well, tailing pit, Lessee shall: remove A and B horizons of topsoil, then subsoil and bank in separate locations. Lessee shall also bury its pipelines, where practical, to a depth that is at least three (3) feet below surface grade. Tailing pits built in agricultural fields shall be buried where practical to a depth no less than 2 feet.

Setbacks

6. No well(s) shall be drilled nearer than three hundred (300) feet and pipelines no closer than one hundred (100) feet of any building, water well, spring or septic system on the leased premises without the written consent of Lessor.

Pipeline

7. Without a separate written agreement, pipelines shall not be constructed on the leased premises except for those used to transport oil and/or gas from a well(s) drilled on leased premises or land pooled therewith. Pipelines should be located along access roads and existing roads and fence rows where possible. Without a separate written agreement, compression stations shall not be constructed on the leased premises unless said compressor stations are for the direct benefit for any well(s) on the leased premises, or lands pooled therewith.

Storage

8. Lessee is not granted any right whatsoever to use the leased premises, or any portion thereof, for gas storage purposes. If Lessor wishes to enter into agreement regarding gas storage using the leased premises with a third party, Lessor shall first give Lessee written notice of the identity of the third party, the price or the consideration for which the third party is prepared to offer, the effective date and closing date of the transaction and any other information respecting the transaction which Lessee believes would be material to the exercise of the offering. Lessor does hereby grant Lessee the first option and right to purchase the gas storage rights by matching and tendering to Lessor any third party's offering. Lessor does hereby grant Lessee the first option and right to purchase the gas storage rights by matching and tendering to Lessor any third party's offer during the term of this Lease. Nothing in this paragraph requires Lessor to give or sell storage rights.

Timber

9. It is understood and agreed that prior to the removal of any and all marketable timber resulting from Lessee's operations under the terms of this Lease, an appraisal shall be conducted by a third party forester at Lessee's expense and Lessee shall pay Lessor the said appraisal value prior to harvesting.

Ad Valorem

10. In the event there is a change in Pennsylvania tax code that provides for an increase in ad valorem taxes attributable to or resulting from the assessment of oil and gas due to oil and gas production from the leased premises, Lessor and Lessee agree to abide by the law and pay their proportional share accordingly.

Wells

11. Lessee shall use water from Lessor's wells, ponds, lakes, or reservoirs located on the leased premises only with the prior written permission from Lessor. With prior consent of Lessor, Lessee shall have the right to drill one or more water wells on the leased premises and to use water from those wells for drilling, completing, reworking, deepening, and/or remedial work. Water from those

wells shall not be used for the purposes of water injection or secondary recovery without the prior written consent of Lessor. Lessee shall not drill or operate a water well, take water, inject brine or any substance in the subsurface in such a manner that will damage any of Lessor's water wells, water supply, or which would interfere with or restrict the supply of water to Lessor or its tenants for domestic, livestock, agricultural (including irrigation) purposes, or which would do injury to any potable ground water supply. In drilling oil and/or gas wells, Lessee shall advise Lessor of any fresh water-bearing formations encountered. In the event that Lessee drills a water well, ownership of that water well shall revert to Lessor when Lessee has finished operations.

Water Testing

12. Lessee at Lessee's expense shall test Lessor's domestic and/or public water supply prior to commencement of and within forty-five (45) days following drilling operations on the leased premises in order to ensure that said water supply is not adversely affected by said operations. Water testing to be completed by an independent third party before and after drilling with a copy of the results given to Lessor. In the event it is determined that said operations have adversely affected said water supply, then Lessee, at its own expense, shall take all steps necessary to return said water supply to pre-drilling conditions. For purposes hereof, water supply referring to both water quality and water quantity. If there has been an adverse affect on Lessor's water supply during or within forty-five (45) days following drilling operations, it shall be presumed to have been result of the drilling operations, and the burden of proof shall be upon Lessee to show a cause to the adverse affect, other than Lessee's drilling operations.

Crops

13. Lessee agrees to plan surface operations in a manner that will reduce or minimize the intrusion to crop fields. In the event that such an intrusion cannot be avoided, Lessee shall compensate Lessor or Lessor's tenant for the damage or loss of growing crops at a current market value based on Chicago's Board of Trade.

Fences

14. Lessee shall: (a) fence all producing wells, tank batteries, pits, separators, drip stations, pump engines, and other equipment placed on the leased premises, with a fence capable of blockading livestock, wildlife, etc.; (b) keep all such fences and related gates on the leased premises in good repair; and (c) keep all gates and fences closed at all times, or in lieu of gates, install cattle guards. Lessee shall, as soon as reasonably possible, replace any barriers, including, but not limited to, fences and stone walls removed by Lessee during operations on the leased premises.

Restoration

15. On completion of any operations, Lessee shall restore the leased premises at Lessee's expense to as close to pre-drilling conditions as is reasonably practicable, remove all debris, equipment, and personal property which Lessee placed on the leased premises (except for equipment needed for the operation of producing wells), which shall be removed within six (6) months after a well permanently ceases to produce. All wells shall be plugged within six months from the end of production or as described in the shut in clause 24(b). Lessee's restoration obligation shall not be affected by any cancellation or surrender of the Lease with respect to all or any portion of the leased premises, but shall remain in full force and effect with respect to the entire leased premises.

Audits

16. Lessee grants to Lessor the right to examine, audit, or inspect books, records, and accounts of Lessee pertinent to the purpose of verifying the accuracy of the reports and statements furnished to Lessor, and for checking the amount of payments lawfully due Lessor under the terms of this Lease. In exercising this right, Lessor shall give reasonable notice to Lessee of Lessor's intended audit and such audit shall be conducted during normal business hours at the office of Lessee at the sole cost and expense of Lessor.

Tax Recapture, Etc.

17. Lessee agrees that if any penalty, rollback or re-capture of tax abatements created or imposed under any governmental program such as, but not limited to CREP, CRP, and Clean and Green that is levied on Lessor solely as a result of Lessee's operations on the leased premises, collectively (the "Penalties"), Lessee will reimburse Lessor within **30** days from Lessee's receipt of any Penalty notice. In addition, if Lessee's operations on the leased premises result in the leased premises or any portion thereof being removed from the Clean and Green Program, Lessee will pay to Lessor within fifteen (15) days of receipt of a copy of Lessor's real estate tax bill, the additional amount of real estate taxes required to be paid by reason of the ineligibility of the leased premises or portion thereof for enrollment in the Clean and Green Program.

Arbitration

18. Any questions concerning this Lease or a party's performance hereunder shall be ascertained and determined by three disinterested arbitrators, one thereof to be appointed by Lessor, one by Lessee and the third by the two so appointed as aforesaid, and the award of such collective group shall be final and conclusive. Arbitration proceedings hereunder shall be conducted at the county seat of the county where the Lease or action occurred which is cause for the arbitration, or such other place as the parties to such arbitration shall all mutually agreed upon. The decision of a majority of the arbitrators shall be final and binding, unless a party is denied a hearing or in the event that fraud, misconduct, corruption or other irregularity causes the rendition of an unjust, inequitable or unconscionable award or decision. The Cost of such arbitrators will be borne equally by the parties.

Limitation to oil and gas

19. This Lease shall be limited to production of oil, gas, and coalbed methane gas from all geologic formations, without limitations. All other minerals, including, but not limited to, lignite, coal, uranium, sulphur, gravel, copper, and metallic ores are not included in this Lease.

Assignment

20. Lessee shall notify Lessor in writing if Lessee assigns all or a portion of this Lease, or an undivided interest therein, to a third party provided, however, that notice to Lessor shall not be required in the event of an assignment of the Lessee's interest:

1. to an affiliate, subsidiary, or internal partners;
2. in consequence of a merger or amalgamation; or
3. of all or substantially all of its assets to a third party.

Default

21. If Lessee violates, fails to perform, or breaches any express or implied terms, covenants, or conditions in this Lease, Lessor shall notify Lessee in writing of the violation, failure, or breach. Lessee shall have a period of 45 days from the date of its receipt of Lessor's written notice in which to remedy the violation, failure, or breach. If Lessee fails or refuses to remedy the violation, failure, or breach within the prescribed time period, Lessor may, at Lessor's sole option, terminate this Lease as to all of the leased premises. Following the termination of this Lease, Lessee shall continue to be liable to Lessor for any amounts due Lessor, together with all damages, costs, or expenses, including, but not limited to, reasonable attorney's fees incurred by Lessor in connection with or related to the violation, failure, breach, of the Lease and the termination of the Lease.

Continuous Development

22. If during the primary term of this Lease, or extension thereof, one or more wells have been drilled on the leased premises or on lands pooled therewith, then this Lease shall not terminate at the end of the primary term or extension thereof, with respect to that portion of the leased premises that Lessee has developed with then existing wells or has consolidated with other lands for development as a unit with one or more then existing wells. Thereafter, in order to perpetuate the Lease as to any portions of the leased premises not being developed from any existing well(s) on the leased premises and/or not part of an existing unit with other lands pooled therewith, the Lessee must first commence operations for the drilling of at least one (1) new well on the leased premises or on lands pooled therewith within 180 days from the last day of the primary term or extension thereof. The portion of the leased premises "not being developed" shall be that acreage identified by the Lessee that is not associated with any well(s) drilled on the leased premises and are not consolidated with any other lands or leases. Upon request by the Lessor, the Lessee will provide a map that identifies the portions of the leased premises it considers as not being developed. Furthermore, provided Lessee fulfills the foregoing requirement to commence drilling operations within the first 180 days from the end of the primary term or extension thereof, this Lease shall not terminate for so long as Lessee maintains a continuous drilling program where Lessee commences operations for the drilling of at least one (1) new well on the leased premises or on lands pooled therewith within 180 days from the completion of the prior 180 day continuous drilling period. If during any such 180 day continuous drilling period Lessee commences drilling operations on the leased premises or on lands pooled therewith for more than one well, then for each such additional well the Lessee shall earn a credit for any well(s) required to be commenced in subsequent 180 day drilling periods. In other words, Lessee shall be entitled to accumulate and later use any well(s) commenced in advance of upcoming 180 day continuous drilling period(s) (each an "Advanced Well"), so that each Advanced Well may be applied to extend a equal number of subsequent or upcoming 180 day continuous drilling period(s).

Pugh Clause

23. The foregoing paragraph 22 notwithstanding, if at any time after the primary term or extension thereof the Lessee should fail to fulfill the terms of the Continuous Development provision above, this Lease shall terminate as to any part or portion of the leased premises as follows:

- 1) NON-UNITIZED ACREAGE - That portion of the leased premises not consolidated or unitized with other lands or leases, as provided for in the Lease; and/or
- 2) NON-DEVELOPED ACREAGE - That portion of the leased premises "not being developed", as defined in paragraph 22 above. Upon request by the Lessor, the Lessee will provide a map that identifies the portions of the leased premises it considers as not being developed at the time of such termination.

Shut in Well

24.

(a) If after the primary term hereof any well drilled on the leased premises and/or on lands pooled therewith that produces oil and/or gas is shut-in (i.e. – production is suspended) other than for any of the three (3) reasons set forth below, then Lessee shall pay Lessor the sum of \$25 per acre, for each 12 months the well is shut-in, for each acre of the leased premises included in such shut-in well's unit or consolidation with other lands or leases or, in the absence of any such unit or consolidation, the portion of the leased premises that Lessee determines as being developed by the shut-in well. A producing well shall not be deemed to be shut-in if any of the following occurs:

- (1) For well maintenance, not to exceed ninety (90) consecutive days; or
- (2) For not having a market for the product from said well(s) or Lessee is in the process of obtaining a pipeline connection to an alternative market, or the purchaser of the gas pays an uneconomical price for the gas, in which event Lessee shall, at Lessor's request, furnish documented evidence why the price received is uneconomical and requires shut-in; or
- (3) The purchaser of the gas from said well declares a force majeure event contained in the gas purchaser's agreement with Lessee.

(b) Lessee shall notify Lessor immediately in writing whenever a well is shut-in and whenever production resumes. In the event a well is shut-in and shut-in payments are being made, then for the purpose of maintaining this Lease as to the leased premises associated with such well, it will be considered that said shut-in well is being produced under the terms and conditions hereof; provided, however, that such shut-in payments shall not extend the term with respect to the leased premises associated with such well for more than three (3) consecutive years. At the end of said three (3) year period, Lessee shall be required to plug said shut-in well as described in paragraph 15 unless receiving written permission from Lessor to extend the shut-in period. For each newly drilled well, Lessee shall have one year from the date the drilling rig is released after drilling is completed in which to put said well into production. If production does not so commence within the one (1) period, such well shall be deemed to be "shut-in" under the terms hereof.

Environmental Matters

25. Lessee shall at Lessee's sole cost and expense, in accordance with all applicable federal, state and local governmental laws and regulations: (a) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove any toxic or hazardous substance or any solid waste, including petroleum products and all drilling wastes on, under, from or effecting the leased premises, caused in any manner by the exercise of the rights granted to Lessee under this Lease; and (b) defend, indemnify and hold harmless Lessor, its affiliated corporations, successors and assigns, from and against any and all claims, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to (1) the presence, disposal, release or threatened release of any toxic or hazardous substance or any solid waste, including petroleum products and all drilling wastes caused by Lessee on, over and under, from or effecting the leased premises, or the soil, water, vegetation, personal property, persons or animals thereon; (2) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such toxic or hazardous substance or any solid waste, including petroleum products and all drilling wastes, including, without limitation, attorney's fees and consultants' fees, investigation and laboratory fees, court costs and litigation expenses. The provisions of this paragraph shall survive the surrender or termination of this Lease.

Acts of God

26. No party hereto shall be liable for any failure to perform its obligations hereunder where such failure is as a result of Acts of Nature, other than to make payments of amounts due hereunder, its obligations so far as they are affected by such force majeure shall be suspended during the continuance of an inability so caused. The term "force majeure" includes fire, flood, earthquake, storm, hurricane or other natural disaster, war, invasion, act of foreign enemies, hostilities (whether

war is declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption or failure of electricity Any party asserting Force Majeure as an excuse shall have the burden of proving that reasonable steps were taken (under the circumstances) to minimize delay or damages caused by foreseeable events, that all non-excused obligations were substantially fulfilled, and that the other party was timely notified of the likelihood or actual occurrence which would justify such an assertion, so that other prudent precautions could be contemplated.

Release Document, Survival of Obligations

27. Upon termination, expiration or surrender of this Lease in whole or in part, Lessee shall provide Lessor at no cost to Lessor, a document canceling the Lease as of record. The surrender or termination of this Lease for any reason shall not relieve Lessee of its obligations for royalties due under this Lease or its liability for any damage, loss, liability or claim resulting to Lessor as a result of or in connection with Lessee’s operations hereunder or any other obligation arising under this Lease, prior to such surrender or termination.

Paid Up Rent Non-refundable

28. Initial rentals paid by Lessee as paid-up consideration for the primary term of the Lease is not refundable at any time, notwithstanding the cancellation, termination and/or surrender of the Lease by Lessee as to any portion of the leased premises under the Pugh Clause.

Leased Premises Defined

29. The “leased premises” referred to in this Lease shall constitute only those premises of Lessor as to which one or more deed references are specified in the Lease. No other premises of Lessor shall be deemed to be included.

INTENDING TO BE LEGALLY BOUND, the parties have accepted and agreed to this Addendum on this ___ day of _____ 2008.

LESSOR

LESSEE
